HOUSE BILL REPORT
SHB 1170

As Reported by House Committee On:
Finance

Title: An act relating to modifying the income thresholds for the exemption and deferral property tax relief programs for senior citizens and persons retired because of physical disability.

Brief Description: Modifying the income thresholds for the exemption and deferral property tax relief programs for senior citizens and persons retired because of physical disability.

Sponsors: House Committee on Finance (originally sponsored by Representatives Morrell, Cody, Seaquist, Morris, Green, Ormsby, Freeman, Jinkins, Blake, Moeller, Upthegrove, Ryu, Liias, Pollet, Fey, Haigh, Bergquist, S. Hunt and Santos).

Brief History:
Committee Activity:
Finance: 1/28/13, 2/15/13, 2/19/13, 2/22/13 [DPS], 1/16/14 [DP2S].

Brief Summary of Second Substitute Bill

- Directs the Department of Revenue to study and develop recommendations regarding the senior citizens, veterans, and disabled persons property tax exemption and deferral programs.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 12 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Hansen, Lytton, Pollet, Reykdal, Vick and Wilcox.

Staff: Jeffrey Mitchell (786-7139).

Background:

Some senior citizens and persons retired due to disability are entitled to property tax relief on their principal residences. To qualify a person must be at least age 61 in the year of

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application, retired from employment because of a disability or be a disabled veteran, own his or her principal residence, and have a disposable income of less than $35,000 a year. Persons meeting these criteria are entitled to partial property tax exemptions and a valuation freeze.

Disposable income is the sum of their federally defined adjusted gross income and the following if not already included: capital gains, deductions for loss, depreciation, pensions and annuities, military pay and benefits, veterans' benefits except attendant-care, medical-aid payments, and disability compensation; Social Security; and federal railroad retirement benefits, dividends, and interest income. Payments for the care of either spouse received in the home, a nursing home, boarding home, or adult family home, as well as payments for Medicare insurance premiums and prescription drugs, are deducted in determining disposable income.

Partial exemptions for senior citizens and disabled persons are provided as follows:

- If the income level is $30,001 to $35,000, all excess levies are exempted.
- If the income level is $25,001 to $30,000, all excess levies and regular levies on the greater of $50,000, or 35 percent of assessed valuation ($70,000 maximum), are exempted.
- If the income level is $25,000 or less, all excess levies and regular levies on the greater of $60,000, or 60 percent of assessed valuation, are exempted.

In addition to the partial exemptions listed above, the valuation of the residence of an eligible senior citizen or disabled person is frozen at the assessed value of the residence on January 1 of the assessment year the person first qualifies for the program.

In addition to the exemption program, eligible persons of age 60 or persons unable to work because of a disability, with incomes less than $40,000, may defer taxes. Taxes may be deferred up to 80 percent of the homeowner's equity. Taxes that are deferred become a lien against the property and accrue interest at 5 percent per year. If deferred taxes are not repaid within three years after the claimant ceases to own and live in the residence, the lien will be foreclosed and the residence sold to recover the taxes.

Summary of Second Substitute Bill:

The Department of Revenue (Department) must establish a task force to review and analyze factors impacting the senior citizens, veterans, and disabled persons property tax exemption and deferral programs. The task force consists of four members including:

- one person representing an association representing county assessors;
- one person from an association representing persons retired by age;
- one person representing veterans retired by disability; and
- one person employed by the Department.

The task force review must include an analysis of the assessed values by county, median incomes by county, the revenue impacts of the exemption and deferral programs on taxing districts and taxpayers, demographic changes, and any other data the task force deems necessary to evaluate and make recommendation on the property tax relief programs. The Department must submit the report to the appropriate fiscal committees of the Legislature by December 1, 2014.

Second Substitute Bill Compared to Substitute Bill:

The second substitute bill updates the date in which the report is due to the Legislature. It also provides an immediate effective date and requires county assessors to provide the necessary data to conduct the study to the Department at no cost.

Appropriation: None.

Fiscal Note: Available on Substitute Bill.

Effective Date of Second Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

See House Bill Report in the 2013 Regular Session.

Persons Testifying: See House Bill Report in the 2013 Regular Session.

Persons Signed In To Testify But Not Testifying: See House Bill Report in the 2013 Regular Session.